

2009 Legislative Session

Senate State Administration

February 20, 2009

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Montana Public Employee Retirement Administration



SENATE BILL 372

Testimony before the Senate Business, Labor and Economic Affairs Committee In Opposition of SB 372

The Montana Public Employees' Retirement Board's (PERB), opposes SB 372 due to its potential dire impact on the Firefighters' Unified Retirement System (FURS). This bill would allow FURS-covered rural fire districts with full-paid firefighters to appoint firefighters who simply meet a physical requirement and would permit those firefighters to be members of FURS. All other members of FURS must meet the age 34 requirement found in 7-33-4107, MCA. If this bill passes, rural fire districts will no longer be "on par" with municipal districts. This legislation is not proposed for the benefit of all FURS members but only for a select group of employees.

As is stated in the "Whereas Clauses" of SB 372, the PERB supported SB 532, in the 2007 legislative session. That legislation allowed rural fire districts to join the FURS, a 20 year retirement system. The PERB supported this bill to put the various rural fire districts on par with the municipal fire departments of the first and second class cities in Montana. This change was made to help in the recruitment and retention of career firefighters.

As a result of SB 532, MPERA has had several rural fire departments pass resolutions to join the FURS. An integral requirement to belong to FURS is that the members must have had an original appointment to a paid position before exceeding 34 years of age. This requirement derives from an Attorney General opinion issued in 1991 by then attorney General Marc Racicot. The PERB is bound by this interpretation when interpreting FURS statutes that reference § 7-33-4107, MCA. As the rural fire districts wanted to be part of the FURS, it holds that they must meet the same requirements to be a member of FURS that all cities must adhere to.

Currently Montana has 19 agencies that belong to the FURS. One agency, the Department of Military Affairs, has been a member of FURS for all new hires after October 1, 2001. Also, 16 cities and three rural fire districts cities belong to FURS. Employees of the Department of Military Affairs and the rural fire districts belonged to the Public Employees' Retirement System (PERS) before joining FURS.

When the rural fire districts pass resolutions to join FURS, the current employees, who were statutorily eligible, have a decision to make. They can elect to remain in PERS or they can elect to transfer to the FURS. If they elect to transfer to FURS, they have a secondary decision to make regarding their PERS employment.

MPERA would provide a FURS member with options regarding their retirement funds. They could leave their PERS service in PERS, drawing a separate benefit upon termination of employment. Alternatively, they could transfer their PERS over to the FURS and receive year for year credit by making payment for any actuarial balance due to fund the system. A third option

would be to transfer their PERS account balance to the Furs and receive proportional service credit. The option is up to the statutorily eligible member.

The PERB is greatly concerned about the adverse impact to the FURS members who start their employment over the age of 34 may have on the system. The demographic makeup of the FURS will change by allowing new FURS members, who start their FURS career after reaching age 34. Unfortunately, the actuarial funding impact due to the change in the demographic makeup cannot be determined until some time in the future.

- ✓ The disability benefit for a FURS member with less than 20 years of service is $\frac{1}{2}$ pay. Regardless of their service. Whether a member has one month, seven months, one year or seven years of service, their disability benefit is $\frac{1}{2}$ pay. Regardless of the type of injury, snowmobiling, golfing, riding horse, running a 5k or breaking a leg at a fire scene, the benefit is the same.
- ✓ The survivorship benefit for a FURS member with less than 20 years of service is $\frac{1}{2}$ pay to the surviving spouse. Regardless of their service. Whether a member has one month, seven months, one year or seven years of service, their survivorship benefit for a surviving spouse is $\frac{1}{2}$ pay.

The PERB recognizes that there are currently several rural fire departments who have hired firefighters who were older than 34 years of age. But it is the opinion of the PERB that to belong to FURS, just like the first and second class cities, the hiring requirements must be consistent. Those employees do have a pension system and will enjoy retirement benefit in the future.

The rural fire districts are as follows:

Central Valley Fire District
Gallatin Canyon Consolidated
Rural Fire Department
Lincoln County Rural Fire District
Lockwood Rural Fire District #8
Missoula Rural Fire District
Park County Rural Fire District #1
Thompson Falls Rural Fire District

The PERB urges a "do not pass" vote on SB 372.